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FM AMEMBASSY PRETORIA
TO RUEHC/SECSTATE WASHDC 3516
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHBU/AMEMBASSY BUENOS AIRES 0243
RUCPDC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS PRETORIA 002068

SIPDIS

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DEPT FOR AF/S/MTABLER-STONE
COMMERCE FOR JDIEMOND
TREASURY FOR BCUSHMAN

E.O. 12958: N/A

TAGS: [EFIN](#) [EINV](#) [SF](#)

SUBJECT: SOUTH AFRICA'S JSE EXCHANGE PLANS TO LIST ITS OWN
SHARES

[¶1.](#) (U) Summary. South Africa's JSE Securities Exchange (JSE) plans to offer its shares to the public on June 5. The JSE hopes that listing on its own exchange will boost shareholder liquidity and the percentage of black ownership, as well as raise additional capital for further investment. Simultaneously, the JSE will launch a Broad-Based Black Economic Empowerment (BEE) Initiative focused on fulfilling its BEE Financial Sector Charter obligations. The JSE all-share index has risen 68% in the past year and continues to break records, topping 22,000 last week. Market capitalization currently stands at over \$700 billion, likely meaning that the JSE will jump a notch or two from its previous position as the 17th largest exchange in the world. End Summary.

[¶2.](#) (U) On June 5, South Africa's JSE Securities Exchange (JSE) plans to offer its shares to the public by listing on its own exchange. The JSE hopes that the listing will boost shareholder liquidity, the percentage of black ownership, as well as raise additional capital for further investment. Listing is another step of a conversion process that began in 2000, transforming the JSE from a member-owned, tax exempt entity to a publicly held corporation. In July 2005, the JSE first offered its shares on an over-the-counter basis to its members. Since last July, its share price rose from R30 (\$5) to more than R180 (\$30). To meet the 25 million share minimum listing requirement and attract an array of retail investors, the JSE will split 8,340,250 current ordinary shares, each with a par value of R1, into ten shares with a par value of R10 cents. The JSE predicts that the new shares will trade at around R15 (\$2.50) or higher in June. The JSE expects that its regulator, the Financial Services Board, will give its seal of approval to the listing soon.

[¶3.](#) (U) One of the objectives of the listing is to attract greater black ownership through its Broad-Based Black Economic Empowerment (BEE) Initiative. Currently, black companies and individuals own about 9% of the JSE's shares. In line with the Financial Services BEE Charter, the JSE would like to increase this to well over 10% and has developed two vehicles to accomplish this -- the JSE Empowerment Fund (JEF) and the Black Shareholder Retention Scheme. Specifically, the JSE proposes to issue 1.74 million new shares to the JEF, a fund set up to support educational opportunities for blacks entering the financial services sector. In addition, the JSE will offer stock options to black investors for the purchase of an additional 1.74 million new shares through its Black Shareholder Retention Scheme. Options will be issued in three tranches

beginning June 2006, and following in June 2007 and June 2008. Options may be exercised in June 2011 at 20% of the average price around the time of the option grant date.

14. (U) JSE's move comes at a time when its all share index and market capitalization are at record levels. The JSE's all share index rose 68% over the past year, soaring to the 22,000 mark before resting at 21,000 this week. Market capitalization is now over R4.4 trillion (\$730 billion), after increasing 66% since last May. This means that the JSE is likely to jump a notch or two the next time the World Federation of Exchanges recalculates rankings. As of March 2006, the JSE ranked as the world's 17th largest exchange.

15. (U) Additional details on the JSE and its offering can be found at <http://www.jse.co.za>.

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